

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
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FM USLO PEKING
TO SECSTATE WASHDC 8843
INFO AMEMBASSY BONN
AMCONSUL HONG KONG
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TOKYO

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E.O. 11652: NA
TAGS: EFIN, CH

SUBJ: RUMORS OF A \$1.6 BILLION LINE OF CREDIT FOR PRC

1. NEWS REPORTS QUOTING THE LONDON METAL BULLETIN
OF SEPTEMBER 20 CLAIM THAT A CONSORTIUM OF UK, FRG,
FRENCH, AND OTHER EUROPEA BANKS HAVE ALREADY GRANTED
A \$1.6 BILLION LINE OF CREDIT TO THE PRC. WHILE
DETAILS ARE SKETCHY, THE CREDIT IS REPORTEDLY TO BE
SUPPLIED AT EXTREMELY LOW RATES OF INTEREST.

2. THE UK COMMERCIAL COUNSELOR HAS TOLD US THAT
REPORTS HE HAS RECEIVED FROM LONDON INDICATE THAT
THERE IS NO SUBSTANCE TO THE STORY. ALSO, HE HAD
OPPORTUNITY TO ASK BANK OF CHINA OFFICIALS IN PEKING
RECENTLY ABOUT LONDON METAL BULLETIN STORY AND HE
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WAS TOLD THAT CHINA HAD NOT ACCEPTED ANY SUCH
LINE OF CREDIT. OTHER DIPLOMATIC MISSIONS IN
PEKING HAVE HEARD OF NOTHING WHICH WOULD
SUBSTANTIATE THE REPORT.

3. IT IS LIKELY THAT THIS MOST RECENT STORY
ON CHINA'S PLANS TO BORROW ABROAD AGAIN STEMS

FROM THE BANK OF CHINA DELEGATION VISIT TO EUROPE EARLY IN THE SUMMER. THE MAJOR PURPOSE OF THAT VISIT WAS TO INVESTIGATE EUROPEAN BANKING AND FINANCIAL PRACTICES AND IT APPEARS POSSIBLE THAT HYPOTHETICAL QUESTIONS FROM BANK OF CHINA OFFICIALS CONCERNING INTEREST RATES, SIZE OF POSSIBLE LOANS, ETC. MAY HAVE BEEN INTERPRETED AS A FIRM INTENTION TO BORROW ABROAD. AMERICAN BANKERS VISITING THE PRC HAVE ALSO BEEN ASKED SUCH QUESTIONS (SEE PEKING 1397). WE BELIEVE THAT THE BANK OF CHINA IS STUDYING THE VARIOUS MEANS OF OBTAINING INCREASED FOREIGN CREDIT, BUT WE CONTINUE TO BELIEVE IT UNLIKELY THAT ANY DECISIONS HAVE BEEN MADE TO ACCEPT LARGE-SCALE FOREIGN CREDITS OR BANK LOANS.

4. IN THIS CONTEXT, WE NOTE CHICAGO DAILY NEWS STORY BY KEYSSPEECH SEPTEMBER 27 (REPORTED EA PRESS SUMMARY OF)/30), THAT THE PRC IS MAKING PAYMENTS OF \$1.6 BILLION FOR US/JAPANESE/ WESTERN EUROPEAN COMPLETE PLANTS PURCHASED SINCE 1972. WE ARE STRUCK BY THE SAME FIGURE USED IN BOTH BEECH AND LONDON METAL BULLETIN REPORTS, BUT HAVE NO WAY OF DETERMINING WHETHER THAT FIGURE MAY HAVE ORIGINALLY COME FROM THE SAME SOURCE.

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